

441—10.7(541A) Authorized withdrawals of principal and income.

10.7(1) *Approved purposes for withdrawal of funds from an IDA.* An account holder shall withdraw principal and income earned on principal from an individual development account with the written approval of the operating organization only for the following approved purposes:

- a.* Educational costs at an accredited institution of higher education, which costs include, but are not limited to, tuition, laboratory fees or other fees for use of facilities, books and other supplies.
- b.* Training costs for an accredited or licensed training program, or training program approved by the department, which costs include, but are not limited to, tuition, laboratory fees or other fees for use of facilities, books and other supplies.
- c.* Purchase of a primary residence.
- d.* Capitalization of a small business start-up.
- e.* An improvement to a primary residence which increases the tax basis of the property.
- f.* Emergency medical costs for the account holder or for a member of the account holder's family.

However, a withdrawal for this purpose is limited to once during the life of the account and the amount of the withdrawal shall not exceed 10 percent of the account balance at the time of the withdrawal.

10.7(2) *Conditions on withdrawals of principal and income.* An account holder may withdraw from the account holder's account the following sums under the following conditions:

- a.* Any amount of principal or income earned on principal, provided the sum is authorized under subrule 10.7(1) and in accordance with the procedure for authorized withdrawals set forth under subrule 10.7(3).
- b.* If the account holder is at least 59½ years of age, any amount of principal or income earned on principal, without obtaining the approval of the operating organization.
- c. and d.* Rescinded IAB 6/3/98, effective 8/1/98.

10.7(3) *Procedure for deposits by account holders and procedure for authorized withdrawals.* All authorized withdrawals shall operate under the following procedure or another procedure agreed upon by the operating organization and financial institution to facilitate authorized withdrawals:

- a.* The account holder shall fill out and sign a deposit form, provided by the operating organization, indicating the amount and date of a deposit by the account holder into the IDA. The form shall be signed by the financial institution, with copies provided to the account holder and to the operating organization.
- b.* The account holder shall fill out and sign a withdrawal form, provided by the operating organization, indicating the amount, date, and the purpose of the withdrawal. The form shall then be submitted to the operating organization or its designated agent for approval and signature. The operating organization shall retain a copy.

The withdrawal form shall be presented to the financial institution to implement the electronic transfer of the funds, or issuance of a check, payable to the account of the vendor as payment for an approved purpose for the withdrawal; or, if neither electronic transfer nor check issuance is possible or cost-effective, then the financial institution shall issue a two-party payee check made out to the account holder and to the vendor on behalf of the approved purpose for the withdrawal. If the approved purpose is for capitalization of a small business, the check shall be payable to the account holder's business account at a financial institution and to the vendor requiring payment for providing the service or product relative to the account holder's business.

- c.* If the operating organization and the financial institution agree to procedures which vary from those indicated in the preceding paragraphs "a" and "b," the agreed-upon procedures shall, at a minimum, meet the following criteria:

- (1) All deposits of funds to and withdrawals of funds from IDA accounts shall be made with the knowledge of the operating organization.

- (2) A clear and precise audit trail on the movement of funds shall be maintained.

- (3) All withdrawals of funds shall require a signature of approval from the operating organization.

- d.* If withdrawals of funds are made by mistake, the financial institution shall notify the operating organization within five calendar days.